

Fortune Electric Co., Ltd.

**Financial Statements for the
Nine Months Ended September 30, 2011 and 2012 and
Independent Auditors' Report**

FORTUNE ELECTRIC CO., LTD.
BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2012
(In Thousands, Except Par Value)

ASSETS	2011	2012		LIABILITIES AND STOCKHOLDERS' EQUITY	2011	2012	
	NT\$	NT\$	US\$ (Note)		NT\$	NT\$	US\$ (Note)
CURRENT ASSETS				CURRENT LIABILITIES			
Cash	\$ 218,863	\$ 11,578	\$ 395	Short-term debts	\$ 314,795	\$ 588,595	\$ 20,089
Financial asset at fair value through profit or loss - current	973	112	4	Notes payable	-	1,947	67
Hedge derivative financial assets - current	52	-	-	Accounts payable	1,110,979	862,129	29,424
Notes receivable	28,405	38,787	1,324	Accrued expenses	130,859	152,313	5,198
Accounts receivable, net of allowance of NT\$9,916 in 2011 and NT\$10,923 in 2012	1,238,007	1,576,132	53,793	Dividend payable	-	130,529	4,455
Other financial assets - current	39,872	28,910	986	Construction payable	356,193	210,709	7,192
Inventories, net	1,686,475	1,630,598	55,652	Customers' advances	462,987	430,539	14,694
Construction in process in excess of progressive billing	668,541	320,010	10,922	Other current liabilities	<u>125,864</u>	<u>62,508</u>	<u>2,133</u>
Prepayments	49,835	57,688	1,969	Total current liabilities	<u>2,501,677</u>	<u>2,439,269</u>	<u>83,252</u>
Deferred income tax assets - current	7,330	14,921	509	RESERVE FOR LAND REVALUATION INCREMENT TAX	<u>34,528</u>	<u>34,528</u>	<u>1,178</u>
Other current assets	<u>28,695</u>	<u>63,105</u>	<u>2,154</u>	OTHER LIABILITIES			
Total current assets	<u>3,967,048</u>	<u>3,741,841</u>	<u>127,708</u>	Accrued pension liability	143,919	177,101	6,044
LONG-TERM INVESTMENTS				Other	<u>71,886</u>	<u>47,959</u>	<u>1,637</u>
Investments accounted for using equity method	192,336	183,415	6,260	Total other liabilities	<u>215,805</u>	<u>225,060</u>	<u>7,681</u>
Financial assets at fair value through profit or loss - noncurrent	2,705	-	-	Total liabilities	<u>2,752,010</u>	<u>2,698,857</u>	<u>92,111</u>
Financial assets carried at cost - noncurrent	<u>99,400</u>	<u>99,400</u>	<u>3,393</u>	STOCKHOLDERS' EQUITY			
Total long-term investment	<u>294,441</u>	<u>282,815</u>	<u>9,653</u>	Capital stock - \$10 par value			
PROPERTIES				Authorized - 275,000 thousand shares in 2011 and 2012			
Cost				Issued - 261,059 thousand shares in 2011 and 2012	<u>2,610,585</u>	<u>2,610,585</u>	<u>89,098</u>
Land	537,173	537,173	18,334	Capital surplus			
Buildings and equipment	620,900	624,560	21,316	Additional paid-in capital	3,525	3,525	120
Machinery and equipment	1,009,272	1,012,462	34,555	Treasury stock transactions	<u>23,613</u>	<u>23,613</u>	<u>806</u>
Photovoltaic solar equipment	-	147,036	5,018	Total capital surplus	<u>27,138</u>	<u>27,138</u>	<u>926</u>
Other equipment	<u>76,830</u>	<u>81,410</u>	<u>2,778</u>	Retained earnings			
Total cost	2,244,175	2,402,641	82,001	Legal reserve	241,961	253,109	8,639
Appreciation	<u>130,748</u>	<u>130,748</u>	<u>4,462</u>	Special reserve	5,351	14,690	501
Total cost and appreciation	2,374,923	2,533,389	86,463	Unappropriated earnings	<u>118,370</u>	<u>(41,000)</u>	<u>(1,399)</u>
Accumulated depreciation	<u>1,034,549</u>	<u>1,099,086</u>	<u>37,511</u>	Total retained earnings	<u>365,682</u>	<u>226,799</u>	<u>7,741</u>
Prepayment for equipment	<u>79,471</u>	<u>260</u>	<u>9</u>	Others			
Net properties	<u>1,419,845</u>	<u>1,434,563</u>	<u>48,961</u>	Cumulative translation adjustments	4,932	(2,008)	(68)
OTHER ASSETS				Net loss not recognized as pension cost	(61,068)	(86,013)	(2,935)
Assets leased to others	54,093	53,265	1,818	Unrealized gains on financial instruments	52	-	-
Refundable deposits	667	466	16	Unrealized revaluation increment	<u>66,026</u>	<u>66,026</u>	<u>2,253</u>
Deferred charges	15,986	13,417	458	Total others	<u>9,942</u>	<u>(21,995)</u>	<u>(750)</u>
Deferred income tax assets - noncurrent	<u>13,277</u>	<u>15,017</u>	<u>512</u>	Total stockholders' equity	<u>3,013,347</u>	<u>2,842,527</u>	<u>97,015</u>
Total other assets	<u>84,023</u>	<u>82,165</u>	<u>2,804</u>	TOTAL	<u>\$ 5,765,357</u>	<u>\$ 5,541,384</u>	<u>\$ 189,126</u>
TOTAL	<u>\$ 5,765,357</u>	<u>\$ 5,541,384</u>	<u>\$ 189,126</u>				

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside of the Republic of China and has been made at the rate of NT\$29.30 to US\$1.00 at September 30, 2012, the base rate announced by Bank of Taiwan. Such translations should not be constructed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$ (Note)
OPERATING REVENUE			
Sales	\$ 2,776,384	\$ 2,742,802	\$ 93,611
Sales returns and allowances	<u>82</u>	<u>6,968</u>	<u>238</u>
Net sales	2,776,302	2,735,834	93,373
Construction revenues	<u>401,136</u>	<u>69,505</u>	<u>2,372</u>
Net operating revenues	<u>3,177,438</u>	<u>2,805,339</u>	<u>95,745</u>
OPERATING COST			
Cost of goods sold	2,339,626	2,353,438	80,322
Construction cost	<u>411,707</u>	<u>83,255</u>	<u>2,841</u>
Total operating costs	<u>2,751,333</u>	<u>2,436,693</u>	<u>83,163</u>
GROSS PROFIT	<u>426,105</u>	<u>368,646</u>	<u>12,582</u>
OPERATING EXPENSES			
Selling expenses	194,151	341,247	11,646
General and administrative expenses	68,749	54,841	1,872
Research and development expenses	<u>94,711</u>	<u>66,555</u>	<u>2,272</u>
Total operating expenses	<u>357,611</u>	<u>462,643</u>	<u>15,790</u>
OPERATING INCOME (LOSS)	<u>68,494</u>	<u>(93,997)</u>	<u>(3,208)</u>
NON-OPERATING INCOME AND GAINS			
Interest income	137	235	8
Investment gain recognized under the equity method	-	1,801	61
Gain on disposal of assets, net	-	328	11
Exchange gain, net	-	10,900	372
Claims revenue	1,305	6,116	209
Rental	1,828	1,569	54
Valuation gain on financial assets, net	7,924	12,188	416
Other	<u>14,216</u>	<u>17,481</u>	<u>597</u>
Total non-operating income and gains	<u>25,410</u>	<u>50,618</u>	<u>1,728</u>
NON-OPERATING EXPENSES AND LOSSES			
Interest expense	4,144	8,831	302
Investment loss recognized under the equity method	13,757	-	-
Foreign-currency exchange loss, net	11,727	-	-
Other	<u>1,184</u>	<u>18,231</u>	<u>622</u>
Total non-operating expenses and losses	<u>30,812</u>	<u>27,062</u>	<u>924</u>

(Continued)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	2011		2012	
	NT\$	NT\$	NT\$	US\$ (Note)
INCOME (LOSS) BEFORE INCOME TAX	\$ 63,092	\$ (70,441)	\$ (2,404)	
INCOME TAX EXPENSE (BENEFIT)	<u>9,020</u>	<u>(4,683)</u>	<u>(160)</u>	
NET INCOME (LOSS)	<u>\$ 54,072</u>	<u>\$ (65,758)</u>	<u>\$ (2,244)</u>	

	2011		2012			
	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT\$	NT\$	NT\$	US\$	NT\$	US\$
				(Note)		(Note)
EARNINGS PER SHARE						
Basic	<u>\$ 0.24</u>	<u>\$ 0.21</u>	<u>\$ (0.27)</u>	<u>\$ (0.01)</u>	<u>\$ (0.25)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ 0.24</u>	<u>\$ 0.21</u>				

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(Concluded)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012 (In Thousands)

	2011	2012	
	NT\$	NT\$	US\$ (Note)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 54,072	\$ (65,758)	\$ (2,244)
Depreciation and amortization	67,855	66,485	2,269
Valuation loss (gain) on financial assets	(3,678)	(112)	(4)
Reversal of provision for bad debt	6,162	180	6
Reversal for inventory valuation	16,934	2,400	82
Investment loss (gain) recognized under the equity method	13,757	(1,801)	(61)
Net loss (gain) on disposal of properties	63	(328)	(11)
Provision for pension liabilities	5,358	6,392	218
Deferred income tax	(7,842)	(11,956)	(408)
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss	-	4,411	151
Notes receivable	(8,467)	76,275	2,603
Accounts receivable	417,921	65,904	2,249
Other financial assets - current	3,491	19,174	655
Inventories	(390,778)	(298,407)	(10,184)
Construction in process	(8,344)	97,347	3,322
Prepayments	22,116	(25,991)	(887)
Other current assets	19,995	14,159	483
Financial liabilities at fair value through profit or loss	(334)	-	-
Notes payable	-	(12,999)	(444)
Accounts payable	205,864	91,296	3,116
Accrued expenses	(64,677)	13,604	464
Construction payable	36,145	(160,463)	(5,477)
Customers' advances	66,188	97,412	3,325
Other current liabilities	38,741	4,429	151
Other liabilities	(23,271)	(23,273)	(794)
Net cash provided by (used in) operating activities	<u>467,271</u>	<u>(41,620)</u>	<u>(1,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of properties	(103,801)	(10,532)	(359)
Proceeds from disposal of properties	286	1,097	37
Decrease (increase) in refundable deposits	(75)	(22)	(1)
Increase in deferred charges	<u>(4,799)</u>	<u>(7,163)</u>	<u>(244)</u>
Net cash used in investing activities	<u>(108,389)</u>	<u>(16,620)</u>	<u>(567)</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012 (In Thousands)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$ (Note)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term debts	\$ 95,093	\$ 61,152	\$ 2,087
Cash dividends paid	(261,059)	-	-
Increase (decrease) in guarantee deposits received	<u>330</u>	<u>(659)</u>	<u>(23)</u>
Net cash provided by (used in) financing activities	<u>(165,636)</u>	<u>60,493</u>	<u>2,064</u>
NET INCREASE IN CASH	193,246	2,253	77
CASH, BEGINNING OF PERIOD	<u>25,617</u>	<u>9,325</u>	<u>318</u>
CASH, END OF PERIOD	<u>\$ 218,863</u>	<u>\$ 11,578</u>	<u>\$ 395</u>
SUPPLEMENTARY INFORMATION			
Interest paid	<u>\$ 3,824</u>	<u>\$ 8,652</u>	<u>\$ 295</u>
Income tax paid	<u>\$ 39,447</u>	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Dividends payable	<u>\$ -</u>	<u>\$ 130,529</u>	<u>\$ -</u>
Transfer properties to assets leased to others	<u>\$ 54,871</u>	<u>\$ -</u>	<u>\$ -</u>

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